

T.R. 98 ship type	Daily wage ODS 1/ 1/85	Ratio M&R to wage ODS (per- cent)	Daily M&R ODS 1/1/ 85
C4-A	\$9,000	x 8.99	\$809.10
C5-B	\$9,300	x 8.99	\$836.07
C6-C	\$9,600	x 8.99	\$863.04

(2) *Data submission requirement.* The operator is required to submit annually a certified statement of eligible and audited M&R expenses, segregated by service, for the historical period referred to in paragraph (c)(1) of this section. The report shall be submitted to the Director, Office of Ship Operating Costs no later than January 1 of the subsidized year.

§ 282.23 Hull and machinery insurance.

(a) *Subsidy items.* The fair and reasonable net premium costs (including stamp taxes) of hull and machinery, increased value, excess general average, salvage, and collision liability insurance against risks and liabilities covered under the terms and conditions of policies approved as to form and coverage by MARAD, less lay-up returns, shall be eligible for subsidy and used for determining the U.S.-foreign cost differential. Port risk premiums are eligible for subsidy but not for determining the U.S.-foreign cost differential.

(b) *U.S.-foreign cost differential.* A U.S.-foreign cost differential shall be calculated for each service. Due to the difficulty of comparing forms and costs of hull and machinery insurance coverages, the following assumptions shall be used for estimating the composite premium cost of the foreign-flag competitor.

(1) *Coverage.* The foreign competitive vessels have the same types and amounts of insurance coverages and deductible averages as the subsidized vessels.

(2) *Premium rate.* The foreign competitive vessels are insured in the British market and the rate for such vessels is the same as the British market rate for the subsidized vessels. If the operator carries all of its insurance in the American market, the American market rate shall be assumed to be the same as the British market rate.

(3) *Repairs.* Insurable repairs of the foreign competitive vessels are performed in the same countries and in the same distribution as non-insurable repairs, and the cost differential for such repairs shall be the same as the maintenance and repair percentage differential.

(4) *Particular average.* The percentage of particular average repair claims for the foreign competitive vessels is the same as the percentage of particular average repair claims for the subsidized vessels. The particular average portion of the premium cost for the subsidized vessels shall be determined as follows:

(i) *Percentage.* The particular average portion of the premium cost shall be determined by applying a percentage to the hull and machinery premium cost after deducting the estimated total loss premium. The percentage is based on insured claims experience. The percentage shall be determined by dividing the total of underwriter's absorptions for particular average domestic repair claims paid and estimated by the total of underwriter's absorptions for all claims paid and estimated (excluding total loss and constructive total loss claims) under the hull and machinery portion of the insurance coverage, except that such percentage shall not exceed eighty-five (85) percent. The percentage is based on the claims experience of the subsidized vessels for the five (5) calendar year period preceding the subsidized year. For subsidized operators that do not have five years of claims experience, the average percentage of particular average domestic repair claims for all similar subsidized vessels shall be used unless the operator can submit data to substantiate its own claims cost experience on similar vessels.

(ii) *Data submission requirement.* The operator shall submit the five year claims experience, invoices showing net premium costs and coverages for

the subsidized year, and lay-up returns for the previous year to the Director, Office of Ship Operating Costs, not later than sixty (60) days after the cost of each calendar year.

(c) *Calculation.* In calculating the subsidized premium cost, the following steps shall be taken:

(1) The particular average portion of the premium cost shall be adjusted in order to give effect to the repair cost differential for the foreign competitive vessels by applying the complement of the maintenance and repairs percentage cost differential (100 percent minus the differential) to the particular average portion of the premium cost. The adjusted particular average foreign premium cost shall be added to the net premium cost excluding the particular

average portion to determine the composite foreign premium cost.

(2) The foreign premium cost shall be subtracted from the operator's total premium cost to determine the difference in dollars. The percentage differential is determined by dividing the dollar difference by the operators' total premium cost. An example calculation is included in Table 2.

(3) The net premium cost of the subsidized vessels shall be divided by the number of days in the calendar year and the resultant daily insurance cost shall be multiplied by the U.S.-foreign cost differential percentage applicable to the most recent year to determine the daily amount of subsidy for hull and machinery insurance.

TABLE 2—ABC STEAMSHIP COMPANY, INC.; CARGO VESSELS—TRADE ROUTE—X, U.S./FOREIGN COST DIFFERENTIAL FOR HULL AND MACHINERY INSURANCE

[1985]

1. COMPOSITE FOREIGN PREMIUM COST:			
A. Hull and Machinery, Total coverage	\$92,741,996		
Average Premium Rate in British Market	1.00966%		
Premium Cost in British Market		\$936,379	
(Estimated Total Loss Payment \$92,741,966 @ .46500% ¹	\$431,250		
B. Increased Value, Total Coverage	\$1,083,325		
Average Premium Rate in British Market32550%		
Premium Cost in British Market		\$3,526	
C. Excess Liability, Total Coverage		None	
D. Total Premium Cost if Insured 100% in British Market		\$939,905	
E. Deduct Particular Average Portion:			
\$936,379 Less \$431,250=\$505,129×62% ²		313,180	
F. Net Premium Cost Exclusive of Particular Average		\$626,725	
	Trade Route No. X Line A	Trade Route No. X Line B	Trade Route No. X Line C
Particular Average Adjustment:			
P/A Portion of Premium Cost	\$313,180	\$313,180	\$313,180
M & R Subsidy Rate Complement ³	84.48%	86.63%	87.34%
Adjusted P/A Foreign Premium Cost	\$264,574	\$271,308	\$273,531
Add: Net Premium Cost (Excluding P/A)	\$626,725	\$626,725	\$626,725
2. Composite Foreign Premium Cost	\$891,299	\$898,033	\$900,256
3. TOTAL PREMIUM COST TO SUBSIDIZED OPERATORS	\$1,068,998	\$1,068,998	\$1,068,998
4. DIFFERENTIAL IN DOLLARS ⁴	177,699	170,965	\$168,742
5. COMPOSITE WEIGHTED DIFFERENTIAL ⁵	16.62%	15.99%	15.79%
6. U.S.—FOREIGN COST DIFFERENTIAL	16.62%	15.99%	15.79%

¹ Estimated gross total loss rate adjusted for broker's discounts, policy tax and other costs, as necessary.

² Percentage of particular average.

³ 100% minus M&R subsidy rate of the same calendar year.

⁴ Line 3 less line 2.

⁵ Line 4 divided by line 3.